

Chapter 11.—Government Securities in Trust.

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Extent of Application of Rules.

163. All Government Promissory Notes deposited with a Government officer *ex-officio* are to be dealt with under the rules in this chapter, except—

- (1) Securities vested in a Bishop or Archdeacon.
- (2) Securities deposited with a High Court, the Chief Court of the Punjab, or of Lower Burma; but, if any of these Courts so direct, the procedure laid down in this chapter may be applied to such deposits.
- (3) Securities deposited in the Indore Residency Treasury by Native Chiefs of Central India.
- (4) Securities deposited with Administrators General.
- (5) Securities deposited for salt credits in Bengal, Bihar and Orissa, Assam, Madras and Bombay.
- (6) Securities deposited with a Controller of Military Accounts by a Bank as security for the amount of regimental funds held by the Bank.

NOTE.—Government Promissory Notes held by Municipalities, Port Trusts and any other public corporations may, at their discretion, be deposited with the Government under the rules in this chapter, but no public officer shall accept or hold such deposits *ex-officio* in any other way than as here prescribed.

Custody.

164. When Government Promissory Notes are deposited with a Government officer for more than twelve months and it is the wish of the depositor to draw interest on them during the period of deposit, he should, after drawing all interest due upon them at the time, endorse them as follows:—

If the officer with whom the notes are deposited is in the Post Office or the Telegraph Department “Pay to the Accountant General, Post Office and Telegraphs” or “Deputy Accountant General, Post Office and Telegraphs.”

In other cases—In the Madras Presidency—“Pay to the Accountant General, Madras.”

In the Bombay Presidency—“Pay to the Accountant General, Bombay.”

In Bengal when the officer is in matters of account and audit under the Accountant General, Bengal—“Pay to the Accountant General, Bengal.”

Otherwise—~~Controller~~ "Pay to the Comptroller General."

NOTE.—With a view to prevent receipt of stolen notes, Government officers may decline to accept notes as a security deposit unless they have been enfaced for payment of interest at the Treasuries in which they are to be deposited. If there is any doubt about the regularity of the endorsements, the depositor may be required to have the note renewed in his own name.

164A. When notes are deposited as security for more than one year, and interest is not to be drawn while they are thus deposited, they should not be endorsed as in the preceding article, but will remain in the name of the depositor.

164B. The Government officer who receives the notes will forward them in halves in registered covers, for custody, to the ~~Comptroller General~~ ^{Controller} or the Accountant General, Bengal, or Madras, or Bombay, or the Accountant General, Post Office and Telegraphs, as the case may be, through the account officer mentioned below.

If the officer is in the Military Department—~~Controller of Military Accounts (including Supply) or Deputy Controller in Independent charge.~~ ^{see slip}

If the officer is in the Marine Department—Controller of Marine Accounts, Calcutta.

In all other cases—Civil Accountant General. Except in the case of the Post Office and Telegraph Department when they should be sent to the Accountant General, Post Office and Telegraphs, direct.

165. With each despatch of notes a covering list in duplicate in Form 18 (foolscap size) is to be sent.

1. The officer who sends the notes should be careful that the chain of endorsements on the note is complete,—that is, that the persons or officers who endorse the notes away are the same as those in whose name they already stand or to whom they have been endorsed. An endorsement signed "for" any other person is invalid unless the endorsement is supported by a power-of-attorney.

2. Endorsements to or by any person "in trust for" any other or "trustee of" anything are also invalid. All words relating to the trust must be expunged under the initials or signature of the person in whose endorsement they occur.

3. Endorsements written upon a piece of paper which joins the two halves of a note are also invalid.

4. These, and like defects, should be at once cured, else they will inevitably give rise to much trouble when the note comes to be renewed or sold.

166. (a) Notes on which interest is to be drawn will be converted into stock of the loans to which they severally appertain, unless at the written request of the depositors the account officer mentioned in Article 164B desires that they should be transferred to the $3\frac{1}{2}$ per cent. loan of 1865 in the case of notes belonging to any of the $3\frac{1}{2}$ per cent. loans, in which case they will be converted into stock of that loan. The interest falling due upon the stock will be remitted without deduction of income tax periodically to the account officers concerned by whom it will be distributed after deducting the proper income tax and commission, by payment orders among the depositors.

(b) The currency of these orders of payment is limited to six months. If any are presented for payment after that period the presenter should be referred to the officer who issued the cheque.

Substitute the words "Controller of Currency" or "Controller" for the words "Comptroller General" "Head Commissioner of Paper Currency" or "Head Commissioner" respectively in the articles quoted below:—

164—last sentence.
164B—1st sentence.
169 (a).
169 (c).
172—lines 4 and 9.
182 (b)—last sentence.

214A. (b) (2).
566A., rule 1.
569—Note 2.
583 (a).
627 (b).

The following corrections are made in the Civil Account Code, Volume I, due to the Introduction of the Divisional system in the Military Accounts Department:—

Article 164B, page 84—

In paragraph 2 for the words “Controller of.....Independent Charge” substitute “Controller of Military Accounts” or “Controller of Military Supply Accounts.”

(c) Such notes will be delivered up or sold upon application from the officer who forwarded them, made to the account officer to whom he forwarded them. The account officers, save where they have received orders from the Local Government that the securities pertaining to any endowment are not to be sold or given up without the orders of Government, act purely as the agents of the officers from whom they received the notes; and the latter must be responsible that they do not realize, or sell, or return any notes which according to the trust under which they are held, they have no power to realise, or sell, or return.

1. It should be observed that when a note is delivered up under this rule, it will not be the identical note which was sent for custody, but only another note of the same loan or of the loan to which the original note had been transferred.

2. An officer applying for delivery of a note should always specify at what treasury he wishes it to be encased for payment of interest.

3. Stock certificates will be sent in lieu of promissory notes if so desired.

167. Cancelled.

167A. When Government Promissory Notes are deposited with a Government officer for 12 months or less or when they are deposited for more than 12 months but the depositor does not desire to draw any interest during the period they will remain in the name of the depositor, and will not be endorsed by him to any Government officer. The Government officer receiving the deposit will see that the notes stand in the name of the depositor and that the contract or other document executed by the depositor conveys authority to Government to appropriate or cancel the notes if the contract is not fulfilled. After satisfying himself on these points the Government officer receiving the deposit will lodge the notes for safe custody in the nearest Civil Treasury, except in the Presidency town of Calcutta, where the notes will be lodged with the Comptroller General, Accountant General, Bengal, and Accountant General, Post Office and Telegraphs, as the case may be, and the Presidency towns of Madras and Bombay where they will be lodged with the Accountant General, Madras or Bombay, respectively. The depositor may draw interest on these notes by tendering receipts in the usual form countersigned by the officer with whom he deposited them.

167B. (a) Notes received for safe custody under the preceding article must at once be entered in a register in Form 68, but no record need be made in it of any interest payments.

(b) A receipt should be given for all notes so deposited in the same form as the register, the column giving particulars of the return being omitted. The receipt should be reclaimed when the notes are returned.

(c) The return of a note should be noted at once in the register in the column provided for the purpose.

Sale or Purchase.

168. If it is desired to sell a Government Promissory Note held in custody under Article 166, application should be made to the account officer, who will arrange for the sale and will remit the proceeds.

169. (a) When an officer wishes to purchase a note out of any funds which he holds in trust, he should obtain in favour of the Comptroller

General or the Accountant General, Bengal, Madras or Bombay, as the case may be, a transfer receipt [see Article 143B (2)] or if it is cheaper, a Presidency Bank draft, for the amount of the market value *plus* 5 per cent. to cover any payment that may be necessary for interest due on the notes as well as the commission of one-eighth per cent. mentioned below.

(b) If the note is to be retained for safe custody, the transfer receipt and the application for purchase should be forwarded to the account officer mentioned in Article 164B, who will arrange for the purchase and send due intimation thereof.

(c) If the note is not to be so retained, the transfer receipt and application may be sent direct to the Comptroller-General or Accountant General, Bengal, Madras or Bombay, as the case may be, who will send the note when purchased together with an account and an order for the balance to be refunded.

NOTE 1.—An officer applying for the purchase of a Government Promissory Note should always specify whether the purchase should be of 3 per cent. or $3\frac{1}{2}$ per cent. paper.

NOTE 2.—When a security deposit is held in the Post Office Savings Bank [Rule 45 (g) of the Post Office Savings Bank rules] the officer to whom the Savings Bank Pass Book is pledged may, if the depositor so desires, invest the amount of the deposit in Government Securities through the Accountant General, Post Office and Telegraphs. The officer may also keep the notes, after purchase, in the custody of the Accountant General, Post Office and Telegraphs, and have the interest on them credited in the depositor's Savings Bank account.

Commission.

170. A commission of one-eighth per cent., in addition to any actual outlay on brokerage, is charged by each of these officers for the purchase and sale of Government Promissory Notes; and a commission of one-quarter per cent. for drawing and remitting the interest. Commission at these rates is deducted from the payments next due to the body or person interested, and credited as Miscellaneous Revenue.

1. The fee of one rupee, levied by the Public Debt Office, for issue of a new note, is also charged against the officer on whose part it is required.

2. Security deposits of Government servants are exempted from this commission.

3. Security deposits of Banks holding regimental funds under Financial Department Resolution No. 3956-A., dated 22nd July 1902, are exempted from commission for drawing interest.

4. This commission is also not charged on investments made through the Post Office Savings Bank referred to in Article 169, Note 2.

Publication of Accounts.

171. Every account officer who receives notes under Article 164B is required to publish at the end of each calendar year a list of the notes in his custody. Every Government officer with whom a note has been deposited *ex-officio* should watch for this publication, and bring to notice any omission or error in which he is concerned. The lists will be made up in Form 19 and published as soon after January 1st of each year as they can be made up.

Provincial and Municipal Debentures and Port Trust Bonds.

172. Provincial and Municipal debentures and Port Trust bonds deposited with a Government officer, *ex-officio*, will be forwarded to the account officer mentioned in Article 164B. The Provincial debentures will be passed on to the ~~Comptroller-General~~ or the Accountant General, Madras or Bombay, in the same way as Government Promissory Notes. The Municipal debentures and Port Trust bonds will remain in the custody of the local account officer, if the interest is payable at the local Public Debt Office or branch of the Bank of Bengal, otherwise they will be sent by him to the ~~Comptroller-General~~, the Accountant General, Madras, Bombay, Burma, United Provinces, the Punjab and Bihar and Orissa, and the Comptroller, Central Provinces and Assam (who will be regarded as the Central Account Officer in respect of the custody of the debentures), according as the interest is payable at Calcutta, Madras, Bombay, Rangoon, Allahabad, Lahore, Ranchi, Nagpur or Shillong. The Central Account Officer will draw the interest (to be credited in the exchange account between the officers concerned) as it falls due, and the local account officer may issue the payment order to the responsible officer or depositor concerned, as the case may be, on the interest date.

Investments by Public Officers.

173. The following are the rules regarding investments in securities for funds held in trust by public officers for some public or *quasi*-public purpose or on behalf of Government:—

- I. Subject to the exception referred to in Rule III, all investments in securities of trust funds held by a Government officer for a public or *quasi*-public purpose, such as the maintenance of a dispensary, school or the like, shall be made in Government Promissory Notes only, and all securities other than Government Promissory Notes coming into the possession of any Government officer in virtue of his office to be held in trust for such purposes shall be converted into Government Promissory Notes.
- II. All trusts for such purposes as those indicated in Rule I shall, subject to the exception stated in Rule III, stand in two names and instead of the personal name of an officer of Government his official designation shall, if possible, be employed. All securities held under such trusts will, subject to the same exception, be dealt with in accordance with the provisions of Resolution by the Government of India in the Finance Department, No. 276, dated 30th April 1880. The Local Government should declare what trusts represent permanent endowments and should issue orders to the Accountant General that securities appertaining to such permanent endowments are not to be sold or given up without the orders of Government. The Local Government should also, in the case of any trust standing

in the name of one officer only, issue instructions declaring what second officer should be associated in the trust.

- III. If in any case owing to any legal or other difficulty the orders prescribed in Rules I and II cannot be carried out, or if in any case it is not considered desirable to carry them out, the facts of the case should be reported to the Local Government, and the Local Government should, by special orders, make such arrangements as may be necessary to protect the interests of Government and to secure the safety of the trust funds or securities.
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